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The DEMAND and PRICE SITUATION

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AMS

Approved by the Outlook and Situation Board, February 19, 1959

SUMMARY

Prices received by farmers have declined about 5 percent from the 1958 high of last spring but in January remained slightly higher than a year earlier. Prices paid, including interest, taxes and farm wage rates have inched higher and the parity ratio of 82 in January was 5 points lower than in March-May and 1 point below January 1958. Little overall change in farmers' prices is expected in the next several months.

Although prices to farmers trended down in the last half of 1958 they were above a year earlier each month of the year. The average for the year was some 6 percent above 1957. The gain resulted from a substantial increase for livestock and livestock products. Crop prices averaged the same.

Marketings of farm products also increased over 1957. The record breaking crop production of 1958 pushed crop sales 11 percent above 1957 with increases particularly sharp for wheat, feed

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958 Year	1958 Jan.	1958 Oct.	1958 Nov.	1958 Dec.	1959 Jan.
Industrial production: Seasonally adj. 1/							
Total	1947-49=100	134	133	138	141	142	143
All manufactures	do.	136	135	140	143	144	145
Durable goods	do.	142	142	145	151	152	154
Nondurable goods	do.	130	127	134	135	135	137
Minerals	do.	117	121	122	123	123	122
Construction:							
Total outlays, seasonally adjusted 2/	Mil. dol.	48,998	4,068	4,279	4,378	4,473	4,525
Public construction	Mil. dol.	15,033	1,238	1,335	1,363	1,424	1,440
Private residential	Mil. dol.	17,884	1,445	1,623	1,682	1,715	1,767
Housing starts	Thousands	1,202	1,020	1,303	1,330	1,430	1,350
Manufacturers' sales and inventories: 2/							
Total sales, seasonally adjusted	Mil. dol.	26,241	26,350	27,158	27,503	28,038	
Durable goods	Mil. dol.	12,400	12,646	12,943	13,295	13,589	
Unfilled orders-sales ratio 6/		3.57	3.68	3.35	3.30	3.24	
Inventory-sales ratio 6/		1.93	2.01	1.82	1.79	1.76	
Durable goods		2.32	2.42	2.16	2.10	2.05	
Employment and wages: 7/							
Total civilian employment	Millions	64.0	62.2	65.3	64.7	64.0	62.7
Nonagricultural	do.	58.1	57.2	58.9	59.0	59.1	58.0
Unemployment	do.	4.7	4.5	3.8	3.8	4.1	4.7
Workweek in manufacturing	Hours	39.2	38.7	39.8	39.9	40.3	39.9
Hourly earnings in manufacturing	Dollars	2.13	2.11	2.14	2.17	2.19	2.19
Income and spending:							
Personal income payments 2/ 3/	Bil. dol.	354.4	348.8	357.5	360.7	359.9	362.3
Consumer credit outstanding 1/	Mil. dol.	44,800	43,904	43,164	43,464	45,065	
Automobile	Mil. dol.	14,100	15,235	14,164	14,066	14,131	
Total retail sales, seasonally adj. 2/	Mil. dol.	16,682	16,718	16,941	16,961	17,605	17,558
Durable goods	Mil. dol.	5,284	5,538	5,374	5,521	5,827	5,852
Inventory-sales ratio 6/		1.44	1.46	1.39	1.39	1.36	
Prices:							
Wholesale prices, all commodities 4/	1947-49=100	119	119	119	119	119	120
Commodities other than farm and food	do.	126	126	126	127	127	128
Farm products	do.	95	94	92	92	91	92
Foods processed	do.	111	110	110	110	109	109
Consumer price index, all items 4/	1947-49=100	124	122	124	124	124	
Food	do.	120	118	120	119	119	
Prices received by farmers 8/	1910-14=100	250	241	252	247	244	244
Crops	do.	224	215	227	217	213	215
Livestock and products	do.	272	263	275	272	269	270
Prices paid, interest, taxes and wage rates 8/	1910-14=100	293	290	307	294	295	298
Family living items	do.	287	285	291	288	287	288
Production items	do.	264	259	271	263	265	268
Parity ratio 8/		85	83	82	84	83	82
Farm income and marketings: 8/							
Volume of farm marketings	1947-49=100	123	126	178	156	139	
Cash receipts from farm marketings	Mil. dol.	33,206	2,708	3,935	3.478	3,034	

Annual data for most of these items for the years 1929 and 1939-57 appear on page 35 of the April 1958 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service.

THE DEMAND AND PRICE SITUATION

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grains, soybeans and cotton. Large quantities of several crops were placed under price support. Last year, price support extended by the Commodity Credit Corporation was over twice as much as in 1957.

Increased marketings at higher average prices in 1958 raised the cash receipts of farm operators in 1958 $3\frac{1}{2}$ billion dollars above the preceding year. The total gross income realized by farm operators increased a tenth to a new record of 38 billion dollars.

Realized net income of farm operators rose 21 percent above 1957 to 13.1 billion dollars as the further increase in production expenses was much more than offset by the rise in gross. The total net income of farm operators, which includes an allowance for change in inventories, climbed 22 percent above 1957 to $14.2 billion. A substantial increase in inventories resulted from the rise in cattle numbers and larger stocks of wheat and corn on farms.

Foreign takings of agricultural commodities declined 13 percent in calendar year 1958 from the record level of 4.5 billion dollars in 1957. A large part of the decline reflected lower exports under special Government programs. Exports of wheat and cotton, which were unusually large in 1957, were principally responsible for the decline. In the last 6 months of 1958 agricultural exports were 7 percent below the same period a year earlier.

The economic recovery continued in January and early February, but the rate of increase was less than last summer. Industrial production and employment picked up some in January; however, unemployment, seasonally adjusted, at 6 percent of the civilian labor force, continued well above pre-recession levels of around 4-4½ percent. Construction outlays after seasonal adjustment rose about 1 percent. Consumer incomes in January recovered from the slight dip in December and were at an annual rate of 362 billion dollars or 4 percent above a year ago. Retail sales in January continued close to the record December level. Food store sales have continued to advance in recent months and in January were about 7 percent above a year earlier.

Commodity Highlights

Cattle slaughter is expected to continue cyclically low in 1959 as herds are built up further; but fed cattle slaughter this spring will exceed that of a year ago. Hog slaughter will exceed 1958 levels and prices probably will be well below those in 1958.

Purchases of chicks for laying flock replacement are likely to be cut this spring. Egg prices probably will remain lower than last spring.

The supply of food fats and oils reached a record of 13.4 billion pounds in the marketing year which began October 1, 1958 and a sharp increase in carryover next October is in prospect.

Total disappearance of feed grains is expected to be 5 percent higher in 1958-59 than a year earlier because of heavier domestic consumption due to sharply increased hog production and moderate increases for cattle feeding and poultry production and record exports. But, because of record production in 1958 carryover will increase sharply.

Supplies of vegetables for fresh market sale this winter will probably be substantially larger than last winter's low level, but a little below average.

Retail prices for processed vegetables are expected to be a little higher during the remainder of the current season than a year ago.

Carryover of cotton on August 1, 1959 will probably remain at the 1958 level of 8.7 million running bales. Prospective 1958-59 disappearance approximately equals the 1958 crop plus imports.

Domestic mill consumption of both apparel and carpet wool in 1958 totaled below that of 1957, though the rate increased during the year. In the fourth quarter of 1958 domestic mill use of apparel wool was about one-fifth above a year ago; and that of carpet wool 40 percent higher, the highest since 1950.

Acreage allotments in 1959 for most types of tobacco are the same as in 1958. Cigarette production in 1958 reached a record high of 470 billion, and cigar output, at 6.6 billion was the largest since 1929.

REVISION OF THE AGRICULTURAL PRICE INDEXES

Revised indexes of prices received and paid by farmers including interest, taxes and farm wage rates were released in the official USDA report, Agricultural Prices, on January 30, 1959. The indexes were revised back to September 1952. This is the third general revision of these indexes since they were first published. The previous revisions, or shifting forward of the weighting patterns, were in 1934 and 1950. Unless index weights are changed periodically they cease to be representive of amounts currently sold or bought and the indexes become unrepresentive.

Prices Paid by Farmers

The revisions in the Index of Prices Paid by Farmers including Interest, Taxes, and Farm Wage Rates (the Parity Index), were based primarily on a national survey of farmers' expenditures in 1955 conducted by the Department of Agriculture in early 1956; a national survey of household food consumption conducted in 1955; and the annual survey of fertilizer consumption for the year ended June 30, 1955. The surveys were based upon a scientific sample drawn to represent all farm families in the nation. Information from these surveys on spending patterns in 1955 was used to develop new weights for the prices paid index,which has for some years now been calculated on the basis of estimated average weights for the prewar years, 1937-41.

The revised index based on 1955 weights includes 114 price series not in the index formerly such as used autos, grain sorghums and television sets. Sixty-five others, which are no longer significant items of farmers' expenditures, such as horse collars and scythes have been dropped.

Average expenditures per farmer were, of course, much higher than for the period 1937-41, but the relative importance of the various expenditure categories has changed.

The major shifts in the weighting pattern of the prices paid index,as a result of this revision,are the reduced relative importance of the family living and the wages paid hired farm labor components of the index;and the increase in the relative importance of the commodities used for farm production purposes. Spending for food and clothing has declined substantially in relation to expenditures for production. This reflected the increasing average size of farms, and the concentration of production along with greater mechanization.

The family living items as a group declined from 44.0 percent in 1937-47 to 39.5 percent in 1955. The largest declines in this group were for food, which dropped from a weight of 16.7 to 13.4 percent in the overall index, and clothing which declined from 8.6 to 6.3 percent. However, building materials increased substantially--up from 1.9 to 4.4 percent.

Production items as a group increased from 41.2 percent in 1937-47 to 50.9 percent in 1955. The most important changes in this group were feed which increased from 10.2 to 12.8 percent; motor supplies - up from 5.2 to 8.4; and building and fencing materials which rose from 2.7 to 5.2 percent. Along with wage rates, taxes and interest also declined in relative importance, although actual dollar expenditure for these items was greater in 1955 than the average for 1937-41.

Prices Received by Farmers

The current revisions in the index of prices received by farmers change the weights of the commodities in the index from the average marketings for the years 1937-41 to average marketings for the years 1953-57. Using the average for several years tends to smooth out fluctuations in supply or demand which could seriously affect marketings in any one year.

The crops, as a group, now have a little greater weight in the prices received index, and livestock and products a little less. The relative importance of each of the crop groups increased except fruit, commercial vegetables and the group for potatoes, sweetpotatoes and dry edible beans. The group for feed grains and hay increased the most--up from 6.7 to 9.1 percent of the total index. For the crops, major changes were recorded in the relative importance of grain sorghums, up from 0.2 percent to 0.8 percent and soybeans, up from 0.7 percent to 3.1 percent of the total index. The relative importance of all livestock and products declined from 57.8 percent to 54.8 percent of the total index as a result of decreased relative importance of dairy products and wool. Although there was an increase in the relative importance of wholesale milk,there was a rather sharp reduction in the relative importance of milk sold by farms at retail, down from 3.5 percent to 0.9 percent and of butterfat in cream, down from 4.4 percent to 1.1 percent of all commodities.

In addition to weight changes there have been some changes in the methods of handling prices of certain crops, particularly commercial vegetables and fruit. Heretofore, prices of non-citrus fruits included in the index represented only that portion sold for fresh market. The weighting pattern imputed to fresh market prices the importance of both fresh and processing sales. The revised index uses prices of both fresh and processed fruit with weights allocated to each on the basis of average marketings in the years 1953-57. The same change in weighting has been adopted in the case of vegetables. This results in a somewhat reduced seasonal functuation for these commodity groups.

The January revisions lowered the average for the prices received index during the 10 year period 1949-58 by slightly less than 1 percent. This average is used in calculating adjusted base period prices during 1959. The revision in the index raised the adjusted base period prices. However, this increase was more than offset by the downward revision in the index of prices paid. Consequently, parity prices as computed in January 1959 were about 3.4 percent lower than they would have been without the revisions.

USE OF FOREIGN CURRENCIES ACQUIRED FROM THE SALE OF U. S. FARM PRODUCTS

The Agricultural Trade Development and Assistance Act of 1954, commonly referred to as Public Law 480, is the most important program aiding in the export of United States surplus agricultural commodities. Title I of that Act furnishes a mechanism for the sale of our surplus farm products abroad for foreign currencies.

Under Title I, payments to the United States for agricultural commodities are made by the recipient countries in their own currencies. These funds are deposited to the account of the United States Treasury abroad and are available for many specified purposes (table 1). The planned use of foreign currencies under Title I may be divided into 4 broad groups. (1) Loans and grants which improve general economic conditions or promote economic development within the purchasing countries. (2) Funds used to advance educational and informational activities. (3) Outlays for defense purposes and to help meet U. S. expenses abroad. (4) Use of currencies for agricultural market development.

From the beginning of the program in July 1954 to December 31, 1958, agreements for sales of agricultural commodities under Title I have been made with 37 countries in all parts of the world. These agreements totaled 3,323 million dollars at world market prices. Agreements with countries in the Far and Middle East, where food needs are greatest, were by far the most numerous and accounted for approximately 52 percent of the total value. The rest of the agreements have been with countries in Europe and Latin America and account for 37 and 11 percent, respectively, of the value.

Outlays for Economic Development

The largest part of the foreign currencies are used for loans to foreign governments. These loans are extended to industries essential for economic development, and are repayable in dollars, local currency, or a combination of both. Loans are on a long-term basis with repayment begining 3 years after the loan is extended. The amount approved for projects as of September 30, 1958 totaled the equivalent of about 814 million dollars. Disbursement of funds by December 31, 1958 was equivalent to about 328 million dollars. Projects have included facilities for power development in Japan, Finland, Brazil and Israel; highway and transportation improvements in Chile, Greece and Paraguay; and agricultural research and development activities in Yugoslavia, Peru, Spain and Italy. In addition to loans, grants for economic development projects have been given to foreign governments. Some of these funds finance non-self-liquidating projects which improve the level of health and education in backward areas.

The Export-Import bank is empowered to lend part of the foreign currencies obtained under Title I to United States firms or their affiliates for business development and trade expansion in foreign countries. Loans also are made to United States firms or indigenous companies for increasing the consumption of and markets for our farm commodities. These loans are repayable in the local currency and interest rates are comparable to those charged for similar loans made in the foreign country. Provision is made to insure against making loans for the manufacture of goods competing with United States export products, including agricultural commodities.

Educational and Informational Activities

The primary objectives of educational and informational programs are to promote mutual understanding between Americans and other peoples of the free world, and to disseminate abroad vocational, professional and technical knowledge developed in the United States. Through December 31, 1958, Title I agreements provide foreign currency earmarkings of 59.4 million dollars for these activities. The largest amounts are for India, Pakistan, Brazil and Turkey. Foreign currencies are being used for educational exchange; translation, publication, and distribution of books and periodicals; and assistance to American-sponsored schools, libraries and community centers.

Defense and Other United States Expenses

Substantial amounts of foreign currencies have been earmarked for the payment of United States obligations abroad--859 million dollars as of December 31, 1958. This include funds available for other purposes designated in Title I agreements but for which amounts have not been specified. U. S. Government agencies operating abroad purchase these local currencies from the U. S. Treasury with appropriated dollars and use them to pay for United States activities requiring foreign money, such as expenses to operate United States embassies. In addition, Congress has authorized the utilization of foreign currencies to finance the construction and rent of military housing abroad, and currencies so used are reported under the category of U. S. expenses. To date, 2,425 housing units have been completed and occupied in Japan and the United Kingdom.

Foreign countries also have been allocated funds for common defense purposes. In most instances, this money maintains defense facilities considered beyond the economic means of the countries in which they are located.

Table 1.--Planned uses of foreign currency under Title I, Public Law 480 agreements signed July 1, 1954 through December 31, 1958

(Amounts are in dollar equivalents at the deposit rate of exchange)

Currency use 1/	Responsible Agency	Amount	Uses as a percent of total
		Million dollar equivalent	
Economic Development			
Grants for economic development	International Cooperation Admin.	216.5	6.5
Loans to foreign governments	International Cooperation Admin.	1,646.1	49.5
Loans to private enterprise	Export-Import Bank of Washington	178.3	5.4
Purchase of goods for other countries	International Cooperation Admin.	38.1	1.1
Education and Information			
International educational exchange	Department of State	28.8	.9
Translation of books and periodicals	U. S. Information Agency	6.1	.2
American sponsored schools and centers	U. S. Information Agency and Department of State	24.5	.7
Defense and Other U. S. Expenses			
Payment of U. S. obligations 2/	Any Agency	859.1	25.9
Common defense	International Cooperation Admin. and Department of Defense	273.1	8.2
Agricultural Market Development	Department of Agriculture	52.4	1.6
Total		3,323.0	100.0

1/ Public Law 480 authorizes the use of foreign currency to finance the following additional activities: Supplemental stockpile; buildings for U. S. government use; trade fairs; acquisition, indexing and dissemination of foreign publications; American educational studies and scientific activities. Although no specific amounts have been earmarked for these uses, many agreements provide for the use of currencies for these activities.

2/ For reporting purposes, unspecified amounts are included under amounts set aside for U. S. expenses.

Ninth Semi-annual Report of the President on Activities carried on under Public Law 480.

Agricultural Market Development

Funds for the development of markets for United States agricultural products have been earmarked in most of the 37 countries with which we have agreements--54.4 million dollars cumulative through December 31, 1958. Projects are carried out cooperatively by foreign trade and agricultural groups in the country and the United States Agricultural Attache Service abroad. Some of the projects include market surveys, advertising and promotion methods, nutrition education, demonstration and distribution of sample products, research programs, and trade fairs.

GENERAL BUSINESS CONDITIONS

The recovery continued in January, but the rate of gain for a number of important industries was less than during the summer and early fall.

Consumer incomes reached 362 billion dollars, seasonally adjusted annual rates, in January, up about $2\frac{1}{2}$ billion from December and 4 percent above a year earlier. Dividend payments recovered to 12.5 billion dollars in January.

Table 2.--Change in gross average hourly earnings in selected industries January 1955 to December 1958

Item	Percentage change			
	Jan. 1956 from Jan. 1955	Jan. 1957 from Jan. 1956	Jan. 1958 from Jan. 1957	Dec. 1958 from Dec. 1957
	Percent	Percent	Percent	Percent
Manufacturing	4.9	6.2	2.4	1/ 3.8
Durable goods	5.1	5.8	2.8	1/ 4.5
Nondurable goods	4.2	6.3	3.2	1/ 3.1
Contract construction	3.5	6.0	5.6	2.4
Bituminous coal mining	8.9	9.3	3.0	-0.7
Telephone	3.9	2.7	5.2	5.1
Gas and electric utilities	4.9	5.1	5.3	5.9
Retail trade	4.1	4.5	5.0	3.0
Wholesale trade	4.8	5.1	3.4	2.3
Composite farm wage rates	2.2	6.1	2.4	1/ 7.6

1/ January 1959 from January 1958.
Source: Department of Labor and Agricultural Marketing Service.

Wage and salary disbursements rose to 244.5 billion dollars, up 4 percent from a year ago. Average hourly earnings of factory workers at $2.19 per hour, while unchanged from December, were 4.3 percent higher than in January 1958. Hourly wage rates of other industries continued to climb during 1958 (table 2). Transfer payments (mostly social security, unemployment and veterans benefits) were unchanged at 26 billion dollars, but 9 percent above a year earlier.

Retail Sales Hold at Record Level

Retail sales held steady from December to January after advancing rapidly last fall. Nondurable goods sales were down a little from December and at 11.7 billion dollars, seasonally adjusted, were 5 percent above a year ago. Food store sales in January were about 7 percent above a year ago. Durable goods sales at 5.9 billion dollars increased a little from December, but they were $16\frac{1}{2}$ percent above the low of 5.0 billion dollars in March and $5\frac{1}{2}$ percent above a year earlier.

Automobile sales recovered rapidly last fall after introduction of the 1959 models. By December retail sales of the automotive group, after seasonal adjustment, totaled 3.3 billion dollars, up a fourth from the low in September and 5 percent above a year earlier. Sales of new automobiles in January, while continuing above a year ago, dropped off some from December levels according to trade reports. Automobile production rose sharply between October and December, but the index dropped about 3 percent between December and January after seasonal adjustment. Part of the decline was due to a shortage of parts caused by a strike in the plants of a supplier to one of the major companies. The book value of inventories reached a low at the end of October of 3.6 billion dollars, but by the end of December they had increased to 4.2 billion dollars. Some accumulation of inventories occurred in January and a further buildup is likely before the seasonal peak of sales in the spring and early summer.

Consumer Prices Up a Little

Prices paid for family living items increased 1 point to 288 (1910-14=100) during the month ended January 15. Higher prices for household furnishings and autos more than offset declines in prices of clothing and building material. Urban consumer prices in December declined fractionally from November. The index at 123.7 was the same as in August through September. The overall index has been stable since mid-1958; food prices were down $2\frac{1}{2}$ percent from their 1958 highs while most of the other groups continued their persistent long-term uptrend. Medical care, public transportation costs and housing costs continued to advance.

Table 3.--Consumer durables, retail sales, inventories and production, selected periods 1955-1959

(Monthly data, seasonally adjusted)

Year	Total, durables			Automobiles		
	Retail sales 1/	Inventories 2/	Production	Retail sales 1/	Inventories 2/	Production
	Million dollars	Million dollars	1947-49=100	Million dollars	Million dollars	1947-49=100
1955	5,565	11,230	147	3,179	4,470	190
1956	5,485	10,700	131	3,014	4,020	138
1957	5,705	11,420	130	3,219	4,760	146
1958	5,277	10,830	113	2,825	4,150	101
1957						
Oct.	5,612	10,950	129	3,180	4,460	143
Nov.	5,606	11,210	128	3,159	4,590	142
Dec.	5,588	11,420	119	3,087	4,760	127
1958						
Jan.	5,538	11,340	113	3,094	4,820	117
Oct.	5,374	10,260	108	2,819	3,650	67
Nov.	5,521	10,460	133	2,906	3,860	139
Dec.	5,827	10,830	134	3,256	4,150	143
1959						
Jan.	5,852	n.a.	135	n.a.	n.a.	139

1/ Annual data are monthly averages.
2/ End of period.
n.a. Not available.

Source: Department of Commerce and Federal Reserve Board.

Construction Outlays Continue to Climb

Construction outlays have contributed substantially to the recovery since last spring. Outlays in January at 4.5 billion dollars, seasonally adjusted, were up 17 percent from May, and 11 percent above a year earlier. The largest gain occurred in private residential construction, public outlays for highways and public housing.

Residential nonfarm housing starts rose from an annual rate of 915,000 in the low month of February 1958 to 1,430,000 in December, but slipped back to 1,350,000 in January. In August 1957, minimum down payments on FHA-insured mortgages were reduced, and in 1958 a number of additional administrative actions were taken. In addition, the enactment of new housing legislation enacted in early 1958 improved terms on FHA and VA insured mortgages and have provided additional funds for the purchase of mortgages by FNMA.

Besides Federal Government actions making it easier to finance mortgages, the demand for long-term funds slackened during the recent recession. Between late 1957 and early 1958 corporations reduced their borrowings as business activity declined. Federal Reserve Bank discount rates were lowered from a level of 3 to $3\frac{1}{2}$ percent in late 1957 to 1-3/4 percent in May 1958. The amount of funds readily available to the mortgage market in early 1958 increased. Yields on FHA insured and conventional financed mortgages were favorable relative to the yields on corporation bonds, and funds flowed into the mortgage market.

As the economy recovered from the recession, yields on U. S. Government and corporation bonds climbed, and in January 1959 they were above the peaks in late 1957. The Federal Reserve Bank rediscount rates were raised beginning in August, and by November 1958 were at a level of $2\frac{1}{2}$ percent and credit tightened. With relative mortgage yields now somewhat less favorable than in the first six months of 1958 investors have in recent months shifted away from real estate loans.

Industrial Production Higher in January

Industrial production continued to advance in January. The index reached 143 (1947-49=100) compared with 126 in April and 133 a year ago. Gains in January were registered in both durable and nondurable manufacturing industries. Steel production, after holding steady in November and December, increased as new orders picked up from the automobile and other industries. Part of the rise in new orders, according to trade sources, is due to an anticipated possible steel strike around mid-year. The index of primary metals at 125 was up 45 percent from the low last spring and a fourth above a year ago. New orders in the machinery and fabricated metal products industries declined some in the final quarter of 1958 from the September-October levels. The output of machinery in January at 156 was up $2\frac{1}{2}$ percent from December, and 14 above the April low. Production in the fabricated metal products industry also held steady in January.

Production of nondurable goods, which reflected the strong consumer demand during the past year, reached 137, a new high and 8 percent above a year earlier. Textiles and apparel output continued to recover and production was 12 percent above the low last spring and 13 above a year earlier. Further gains were reported in the chemical and petroleum industries. Rubber and leather products output in January was about a fifth above the recession low and 14 percent above a year earlier. Food production was unchanged from the level during the last half of 1958.

Table 4.--Change in industrial production August 1957 to January 1959

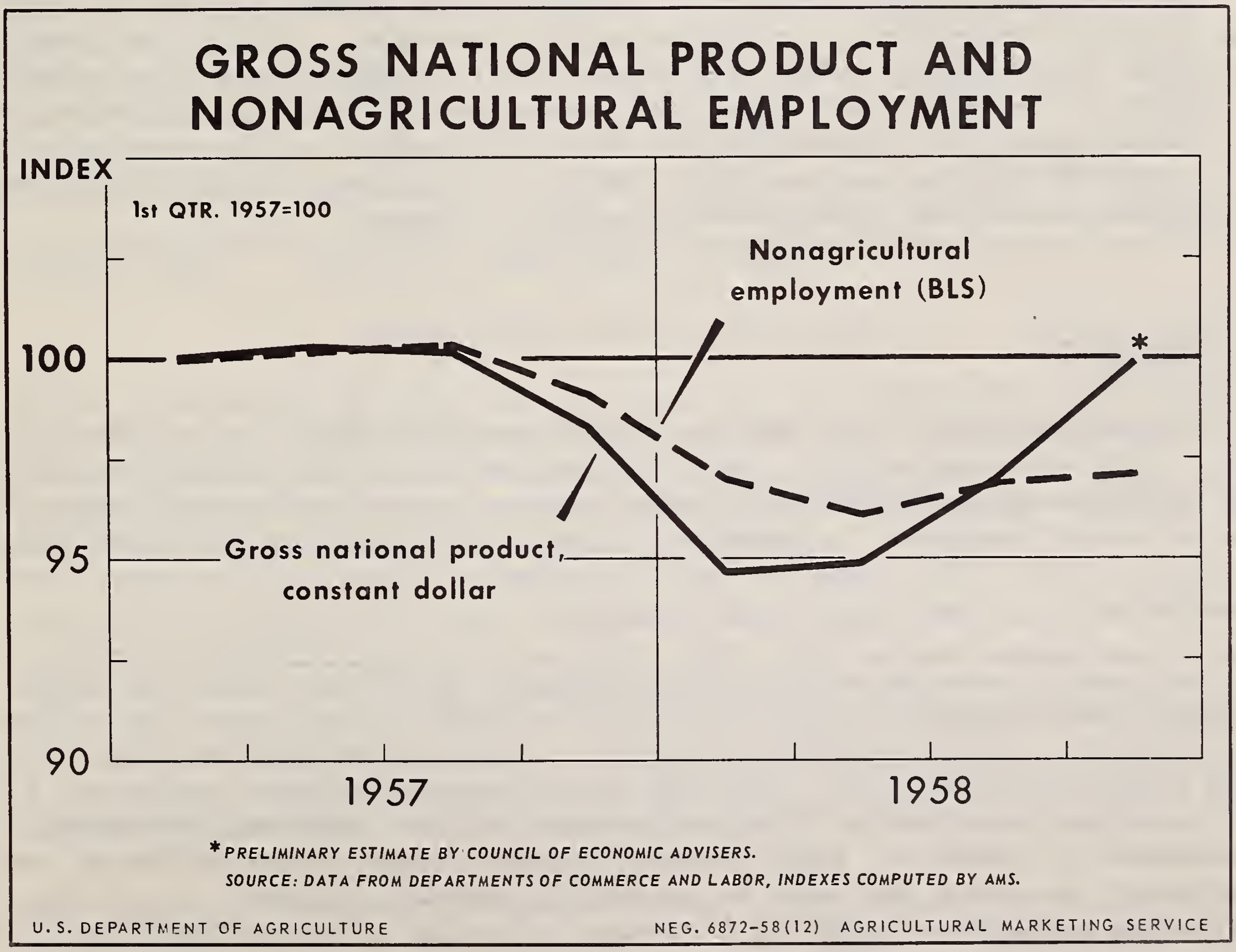
Item	Percent change	
	April 1958 from August 1957	January 1959 from April 1958
	Percent	Percent
Industrial production	- 13.1	+ 13.5
Manufactures	- 12.9	+ 13.3
Durable	- 19.6	+ 17.6
Primary metals	- 36.8	+ 45.3
Fabricated metals	- 15.7	+ 16.1
Nonelectrical machinery	- 19.2	+ 9.8
Electrical machinery	- 22.8	+ 20.5
Transportation equipment	- 17.6	+ 15.7
Instruments and related products	- 8.6	+ 10.1
Clay, glass and lumber products	- 11.8	+ 12.6
Furniture and miscellaneous manufactures	- 10.4	+ 12.4
Nondurable	- 5.3	+ 9.6
Textiles and apparel	- 7.5	+ 12.2
Rubber and leather products	- 16.4	+ 20.6
Paper and printing	- 4.0	+ 7.0
Chemical and petroleum products	- 6.3	+ 10.4
Food, beverages, and tobacco	+ .9	+ 5.3
Minerals	- 15.5	+ 11.9

Federal Reserve Board.

Although manufacturers' sales and new orders continued to improve in the last quarter of 1958, the book value of manufacturers' inventories at the end of December was about the same as in the 2 preceding months. At retail, inventories rose some due to an increase in stocks of new automobiles.

Employment Lags Production

The Nation's labor markets during 1957 and 1958 reflected the changes in business conditions from recession to recovery. Total employment in nonagricultural establishments, seasonally adjusted, declined about $2\frac{1}{2}$ million between August 1957 and April 1958. About four-fifths of the cutback was concentrated in manufacturing, mining, and transportation industries. During the recovery since April, nonagricultural employment, seasonally adjusted, has increased 938,000 and in January totaled 51 million. The increase in employment has lagged the increase in industrial production and gross national output in constant dollars. In manufacturing, manhours increased 10 percent between April and December while industrial production was $12\frac{1}{2}$ percent higher. Part of this is due to the lengthening of the factory workweek during the early stages of recovery. Average weekly hours of factory production workers increased from 38.3 in April to 40.3 in December, but they dropped back to 39.9 in January, mainly as a result of less overtime.



During the recovery, the largest month to month gains in employment were registered between April and September. In more recent months the gains have been much less. A large part of the gain in employment has occurred in manufacturing, particularly durable goods industries. The largest increase in employment since fall has occurred in automobile plants as production on 1959 models has increased. Primary metals and related metals industries have shown smaller gains in production and employment since early fall. In nondurable goods industries where production reached a peak in the fall, employment has shown little change since September. In mining, contract construction and trade, employment has declined after recovering moderately from the spring lows.

Some further improvement in employment is expected during the first quarter of 1959, according to reports submitted to local public employment offices. Increases, however, in the next 2 months will be moderate. In durable goods manufacturing, steel and machinery firms are expected to have the greatest increases in employment with a smaller gain in the related fabricated metals industry. Employment in aircraft and auto plants is likely to hold at current levels. Seasonal changes are mostly responsible for the expected rise in employment in construction trade, and nondurable goods manufacturing.

The seasonally adjusted rate of unemployment in January was 6.0 percent of the civilian labor force, about the same as December. While the unemployment rate is considerably below the August level of $7\frac{1}{2}$ percent of the civilian labor force, it is still well above the pre-recession level of around 4 percent. Unemployment rose about 600,000 between December and January to 4.7 million, up 230,000 from a year earlier. About 1.4 million of the jobless total were people who had been unemployed 15 weeks or longer.

Industrial Prices Up a Little

Wholesale prices have been unchanged since mid-1958. The index in January, at 119.5, was a little above a year earlier. Farm products and processed food prices have declined 9 and 4 percent since their 1958 highs and are below a year earlier. Industrial prices, in sharp contrast, have trended upward since July. The index, at 127.5 in January, was up $1\frac{1}{2}$ percent from July and about 1 percent from a year earlier.

Wholesale crude material prices declined in the last half of 1958, reflecting lower prices of foodstuffs and feedstuffs which more than offset gains in nonfood crude materials and fuel. At the intermediate stage of processing industrial materials, supplies, and component prices rose about 1 percent in the last 6 months of 1958, while materials for food manufacturing declined about 3 percent. Among finished goods, lower prices of foods, offset increases in other finished consumer and producer goods of around 1 percent in the last half of 1958.

Table 5.--Wholesale prices by stage of processing June and December 1958 with change

Item	Dec. 1958	June 1958	Percentage change
	1947-49=100	1947-49=100	Percent
Wholesale prices, all commodities	1/119.5	119.2	+0.3
Crude materials	97.1	100.7	-3.6
Foodstuffs and feedstuffs	88.4	95.7	-7.6
Crude industrial materials	111.2	116.5	+4.8
Intermediate materials, supplies and components	126.3	124.7	+1.3
Industrial materials, supplies and components	129.8	128.5	+1.0
Materials for food manufacturing	100.4	103.4	-2.9
Finished goods	120.5	120.7	- .2
Consumer finished goods	112.8	113.6	- .7
Foods	107.7	111.6	-3.5
Other nondurable goods	112.1	111.0	+1.0
Durable goods	126.2	124.7	+1.2
Producer finished goods	151.9	150.0	+1.3

1/ January 1959. Source: Department of Labor

AGRICULTURAL PRICES AND INCOMES

Gross farm income in 1958 was at a peak of 38 billion dollars, exceeding the previous peak of 37.3 billions set in 1951 when the Korean War boom sent prices received by farmers to record levels. Realized net income, estimated at 13.1 billion dollars, was a little short of the amount realized in that year because farm costs are higher.

Gross farm income was about 10 percent higher and realized net income was more than a fifth higher than in 1957. The improvement reflected 10 percent higher prices of livestock, marketings from the record 1958 crops (11 percent higher than the year before), and an increase in payments for acreage placed in the Soil Bank from 700 million dollars to 815 million. In addition, a wet fall in 1957 delayed marketings of some major crops, particularly cotton, until early 1958.

Cash receipts from marketings of 33.2 billion dollars were 12 percent more than in 1957. Most of the increase was from sales of hogs, cattle, wheat, cotton and soybeans. The rental value of farm dwellings, which is included as part of income, was up 7 percent because of higher real estate values.

Farmers' production expenditures in 1958 rose 6 percent to 24.9 billion, reflecting increases in livestock purchases, feed, mortgage interest, hired labor and property taxes. However, expenses rose much less than gross income, hence the substantial gain in realized net income. Larger cattle numbers and increased stocks of wheat and corn on farms at the end of the year resulted in a substantial increase in farm inventories for the second year in a row. Consequently, farm operators' total net income, which includes inventory change, rose 22 percent to 14.2 billion dollars.

Net income per person on farms from all sources rose 10 percent last year to $1,068. This was 9 percent above the previous high of $983 in 1951. All of the increase was due to higher farm income; income of farm people from non-farm sources declined slightly.

Price support operations contributed substantially to the gain in farm income last year. The dollar volume of price support extended by the CCC in 1958 amounted to 3.1 billion dollars, virtually all in the form of loans. This compares with 1.3 billion in the previous year. The increase was due to higher production of price supported products. Despite somewhat lower support levels (an important exception was cotton) gains in output were so large that the effect of lower supports was far more than offset by the large volume going under loan. Corn output was up 11 percent from the year before; barley 9 percent, and oats and sorghum grains each up 8 percent. Nearly all of these increases were due to higher yields; harvested acreage of oats, barley and sorghum grains were down from 1957 while corn acreage was up fractionally. Wheat output was 54 percent higher than in 1957--acreage was up from 44 to 54 million acres and yields were up from 22 to 27 bushels per acre. The 1958 cotton crop was about 11.6 million bales compared with 11 million in 1957. Acreage was down from 13.6 to 11.8 million acres while yields were 21 percent higher. Output of soybeans was up 19 percent; acreage was up 14 percent and yields 4 percent.

AGRICULTURAL EXPORTS IN 1958

The lower level of United States economic activity in 1958 was accompanied by a reduced volume of exports, $17.7 billion in 1958 compared with $20.6 billion in 1957. The most important factors contributing to the decline in exports were: (1) a let down in Canadian and European economic activity; (2) lower prices for raw material produced by less-developed countries, which limited their ability to import U. S. goods; (3) stiffer competition from European and Japanese exporters; and (4) reduced agricultural exports because of increased foreign supplies.

Agricultural exports accounted for 21 percent of the decline in exports from 1957 to 1958. They totaled $3.9 billion in 1958, 13 percent below the calendar record high of $4.5 billion in the previous year. The highest level ever reached was $4.7 in fiscal year 1957-58. Agricultural exports began to drop sharply in second half of 1957 and continued to fall until the final quarter of 1958. The January-June 1958 exports were 21 percent below those of the corresponding period in 1957; while shipments during the last half of 1958 were 7 percent below those of a year earlier.

Table 6.--Agricultural Exports, selected commodities calendar 1957 and 1958

Commodity 1/	Unit	Quantity 1957	Quantity 1958	Value 1957	Value 1958
				Mil. dol.	Mil. dol.
Barley, grain	Mil. bu.	55.9	120.6	60.1	129.5
Corn, grain	Mil. bu.	177.5	179.0	248.9	234.0
Grain sorghums	Mil. bu.	22.3	73.8	25.6	84.5
Oats, grain	Mil. bu.	19.5	24.6	11.8	15.1
Total feed grain	Mil.sh. ton	7.2	10.4	346.4	463.1
Wheat and wheat flour	Mil. bu.	476.9	392.4	846.6	685.5
Rice, milled	Mil. cwt.	15.9	12.3	121.5	96.7
Cotton, excluding linters	Mil. bales	6.9	4.6	1,048.9	653.6
Tobacco, unmanufactured	Mil. lb.	501.0	482.3	359.1	354.4
Soybeans	Mil. bu.	88.0	84.3	217.7	198.3
Soybean oil	Mil. lb.	685.0	872.5	105.1	122.2
Lard	Mil. lb.	501.4	386.5	74.5	52.2
Tallow, edible and inedible	Mil. lb.	1,289.5	1,045.0	111.3	90.5
"Other"				2,036.2	1,139.1
Total Agricultural Exports				4,505.3	3,855.6
Total Exports				20,630.5	17,703.9

1/ Commodity totals exclude quantities and values exported "for relief and charity". These are included in totals and "other".

Derived from Bureau of Census data.

Most of the reduction in 1958 was due to smaller shipments of wheat and cotton, exports of which were unusually high in 1957. Exports of wheat and wheat flour in 1958 totaled $686 million, down 19 percent from 1957. Foreign supplies, particularly in Europe, improved in 1958, reducing the need for U. S. exports. Asia replaced Europe as our best market for bread grains in 1958 as large shipments of wheat and wheat flour made to India, the Philippines and Japan under government programs.

Feed grain exports reached a record $463 million in 1958, 34 percent above the 1957 level. The increase almost equalled the decline in wheat shipments. Well over 50 percent of feed grain shipments in the last half of 1958 were handled through the new payment-in-kind program. This program shifts the market demand for export supplies from CCC to commercial holdings of commodities. The gap between the domestic price and the price received on competitive world markets is made up by a payment in any one of the five feed grains or rice. Only exports under barter and relief shipments are now made directly from Government owned stocks.

Cotton exports for 1958 as a whole totaled $654 million, down 38 percent from a year earlier, when exports were stimulated because foreign consumers replenished stocks. Unmanufactured tobacco exports declined about 1 percent, from $359 million in 1957 to $354 million in 1958. This resulted from a small cut back in flue-cured, which comprises about 80 percent of our tobacco exports.

LIVESTOCK AND MEAT

Farm inventories of meat animals turned up sharply during 1958. The number of cattle and calves on hand January 1, 1959 increased 3.5 million and was back to the previous high of 97 million head in 1956. Sheep numbers climbed 1.3 million and hogs 6 million.

Numbers of all beef classes were higher on January 1, 1959. Beef cows and beef calves led with gains of 1,300,000 each. Beef heifers and steers were each up 750,000. These numbers include 600,000 more cattle and calves on feed. Milk cattle numbers were down 600,000.

Cattle slaughter is expected to continue cyclically low in 1959 as herds are built up further. Slaughter of fed cattle this spring will exceed that of a year earlier, and for the year as a whole probably will be a little larger than in 1958. Prices of fed cattle may slip a little in late winter, but no large decrease is expected. Although they may be a little below a year earlier until spring, by late summer they will probably again be above last year. Numbers of grass cattle and young stock on farms will continue larger than in 1958 as a larger calf crop in 1959 seems likely.

Hog slaughter in 1959 will exceed 1958 throughout the year as the result of a 17 percent larger 1958 fall pig crop and a prospective 13 percent larger 1959 spring crop. Hog prices have declined, at times rather sharply this past

fall and winter as hog marketings rose above those of a year earlier. Early in February the average price of barrows and gilts at 8 leading markets was $16.00 per 100 pounds, down $4.00 from last September and also $4.00 below the corresponding period in 1958. Some further decline to a late winter or early spring low seems probable before the late-spring rise. Prices will continue well below 1958. However, the seasonal decline this fall is not expected to be unusually large.

The gain in sheep and lamb inventory this January over January 1958 included 600,000 more ewes 1 year old or older, 400,000 more stock lambs and 270,000 more on feed. These increases set the stage for somewhat larger sheep and lamb slaughter in 1959. Lamb prices, currently are $4.00 to $5.00 per 100 pounds below those of a year ago, because of slaughter of the unusually large number of slaughter lambs carried over into 1959. However, they are within the price range of $18 to $20 received at this time of year in 1954-57. Some price recovery is expected this winter as marketings taper off.

Total meat consumption per person in 1959 is forecast at 158 pounds, up about 7 pounds from last year. The probable 5 pounds more pork per person overshadows the only slight changes in other meats.

DAIRY PRODUCTS

Wholesale prices for dairy products have been stable for the past month at equivalent of support prices for milk and butterfat after declining considerably at the end of December. Price support purchases have been seasonally larger than in October-December, though smaller than at this time last year.

Production of milk in the United States began 1959 about at the year earlier level. The revised total for 1958 is 125.2 billion pounds, compared with 125.9 in 1957, the record high. The number of cows is not likely to decline as much this year as last, and the rate per cow probably will increase fully as much as in other recent years. Prices of milk probably will continue above average relative to feed, hog prices are declining, and beef prices are not likely to increase as they did last year. As a result, total milk output may increase from 1958 level during 1959.

The big change in consumption among dairy products last year was the rise in use of American cheese. Consumption per person from commercial sources increased about 13 percent to 5.1 pounds, the highest level since the record equalling 5.3 pounds in 1952. Per capita use of ice cream increased slightly, but use of milk in other items was unchanged or slightly lower. Per capita use of creamery butter from commercial sources declined from 7.2 pounds in 1957 to 6.9 pounds in 1958, equalling the record low of 1953, but use from CCC supplies increased. Per capita consumption from all sources equalled the record low of 8.4 pounds set in 1957. Per capita use of milk products from all sources was equivalent to 695 pounds in 1958, of which about 36 pounds came from CCC sources or was paid for with Government funds. The per capita use from commercial sources was the lowest on record. Total consumption in 1958 was 119 billion pounds.

The downturn in milk production and increase in total commercial use has resulted in a decline in size of surplus for purchase by CCC. In the first 10 months of this marketing year, 117 million pounds of butter was purchased compared with 152 million in the comparable period a year earlier. Cheese purchases were only 30 million pounds, compared with 211 million last year. The milk equivalent of the two is 2.6 billion pounds this year, in contrast to 5.2 billion a year earlier. Purchase of nonfat dry milk totalled 720 million pounds in the first 10 months of this marketing year, compared with 662 million last.

The determination and announcement of the support level for the year beginning April 1 will be made before the end of March.

POULTRY AND EGGS

Continued large supplies of eggs and broilers are holding prices of those commodities at below 1958 levels, while average prices for turkeys are generally above last year. Production of each of these 3 items in 1959 is likely to exceed 1958.

Egg production is increasing seasonally. Because commercial breaking, and storage in the shell, probably will divert a relatively large proportion of the output in coming months, supplies for immediate consumption will not rise in proportion to the increase in production. Part of the recent commercial breakings have been used to produce egg solids sold to the Department of Agriculture for School Lunch use. Only moderate further price declines from mid-February levels are likely through mid-spring.

In mid-January, the U. S. mid-month average price received by farmers for eggs was 36.4 cents per dozen, 2.5 cents lower than the preceding January and 0.2 cents lower than February 1958. Since mid-January, most wholesale egg prices have declined.

Farmers intended to buy 1 percent fewer replacement chickens in 1959 than were purchased in 1958, according to an early February survey. This would be an insignificant cut, in view of the offsetting increases in chick starts that have occurred in the last half of 1958. Egg settings on January 1 were only 5 percent above last January, in contrast with increases of 21 to 32 percent in the preceding 4 months. A cut of more than 5 percent from 1958's springtime output will be necessary to achieve a net reduction in the number of pullets to be added to the laying flock in 1959 because of the increased hatch in the last 5 months of last year.

Broiler prices have moved over a wide range since the beginning of 1959. In the first week of the year, they continued at the December level of about 14 cents per pound, live, in Southern producing areas. Later in January, they went as high as $18\frac{1}{2}$ cents in the same areas. So far in February they have also fluctuated, beginning the month at a low level and later rising. The mid-January U. S. average price was 17.4 cents, compared with 19.9 cents a year earlier and 15.1 cents a month earlier.

Despite lower prices than last year, weekly broiler chick placements continue larger than at the same time last year. Recent weekly egg settings in incubators have been 8 to 10 percent above last year. Broiler production in 1958 in 22 important States, which usually produce over 3/4 of the national output, was 15 percent above 1957.

Turkey marketings from farms are near the seasonal low. Storage stocks of 160 million pounds for February 1, 1959, were down from the year-earlier record of 179 million pounds. Prices for all classes of turkeys are now bunched within a very narrow range, with those for toms and hens nearly equal. This puts toms above last year's level, and hens slightly below. The U. S. average price to producers was 23.9 cents per pound in mid-January, more than a cent higher than the 22.6 cents of last January. The Department of Agriculture turkey purchase program was discontinued on February 4, after the purchase of 24 million pounds of frozen ready-to-cook turkeys. A January survey of farmers' plans to raise turkeys showed increases of 3 percent over 1958 in the number of heavy-breed turkeys intended to be raised for 1959, and 16 percent for light-breed turkeys. If these increases materialize, the 1959 turkey crop would be 5 percent larger than 1958, and a record.

OILSEEDS, FATS AND OILS

The supply of food fats and oils in the marketing year which began October 1, 1958 is estimated at a record 13.4 billion pounds (oil equivalent of oilseeds), about 15 percent greater than the 11.7 billion pounds a year earlier. Total disappearance is expected to rise about 5 percent to a new high with domestic use likely to reach a new peak and exports to increase to around the 1956-57 record level. But supplies are much larger than probable disappearance and a sharp increase in carryover next October 1 is in prospect. Most of the increased carryover is expected to be in soybeans though lard and vegetable oil stocks may be somewhat larger. Wholesale prices for the major food fats (excluding butter) in 1958-59 will average well below a year earlier.

Exports of all food fats in 1958-59 (including the oil equivalent of soybeans) may total around 2.9 billion pounds compared with 2.6 billion pounds last year, and about the same as 1956-57. While domestic prices in 1958-59 will average lower than last year, our exports of edible oils will again hinge largely on the P.L. 480 program.

Exports of cottonseed and soybean oils in 1958-59 are expected to total at least 1,300 million pounds, about 250 million more than last year. Exports under P.L. 480 are expected to total about 1.0 billion pounds compared with last year's record 0.7 billion. The total amount of exports will be influenced by CCC's disposition of the cottonseed oil acquired under the 1958 support program. The Corporation acquired about 180 million pounds of cotton oil (crude basis) which is being offered for domestic or export sale. As of February 19, 1959 about 11 million pounds have been sold for export.

Disappearance of food fats per person in 1958-59 probably will not change much from the level of 45.4 pounds (fat content) last year. However, some increase in total use is likely because of the rise in population.

Total supplies of nonfood fats and oils (mainly inedible tallow and grease, linseed oil, marine oils and tall oil) in the marketing year which began on October 1, 1958 are forecast at 6.1 billion pounds compared with 5.8 billion the previous year. Beginning stocks were up a bit from a year earlier and output is expected to be moderately higher. Imports of nonfood fats in 1958-59 (including production from imported material) probably will not differ greatly from the 1 billion pounds of a year earlier. About two-thirds of our nonfood fat imports consist of copra and coconut oil from the Philippines.

Disappearance of nonfood fats per person in 1958-59 is expected to continue near the 22.2 pound rate of last year. Nonfood uses of fats and oils have shown a slight long-run downtrend but the decline in 1957-58 was fairly sharp because of the industrial recession. Use of fats and oils per person in soap probably will continue to slip in 1958-59 but this may be offset by increased use in other industrial outlets such as fats used in animal feeds. Wholesale prices of the major nonfood fats will average somewhat lower in 1958-59 compared with the previous year.

Support prices for 1959 crop oilseeds were announced on February 18. These support prices and comparison with 1958 levels are as follows: soybeans, $1.85 per bushel, down 24 cents; flaxseed, $2.38 per bushel, down 40 cents; and cottonseed, $34 per ton (purchase price, basis grade 100), down $7.

FEED

Domestic use and exports of feed grains have been especially heavy so far this year. Total disappearance for the entire 1958-59 feeding year is expected to be about 5 percent larger than in 1957-58 and nearly a fifth above the 1952-56 average. Heavier consumption is expected this year because of the sharp increase in hog production and moderate increases in prospect for cattle feeding and poultry production. So far during the current feeding year there has been a good demand for most feed ingredients with larger tonnages of high-protein feeds being consumed at substantially higher prices than a year ago. During October-December domestic disappearance of oilseed meal was 16 percent higher than a year earlier. Domestic disappearance of feed grains during the quarter was 13 percent higher and exports were about a fourth larger.

Even with this heavier utilization record carryover stocks of each of the four feed grains are in prospect for 1959-60 from the big 1958-59 supplies. The corn carryover next October 1 is now expected to total about 1,800 million bushels, 330 million more than last year and the sorghum grain stocks about 500 million, compared with 309 million on October 1, 1958. The total carryover of the four feed grains into 1959-60 is expected to be up to about 75 million tons, about a fourth larger than at the beginning of 1958-59.

Stocks of feed grains in all positions on January 1 totaled 156 million tons, 12 percent above those of a year earlier. Of this total, about 57 million were under loan or owned by CCC leaving 99 million outside the price support program. Of the 139 million tons on hand on January 1, 1958, 49 million were under loan or owned by CCC. Thus, "free" stocks as well as stocks under the price support program were larger than a year ago.

Prices of many of the byproduct feeds declined in late January and early February following sharp increases during October-December. Prices received by farmers for corn averaged $1.02 per bushel in January, 4 cents below the support of $1.06 to noncomplying farmers. This was 9 cents higher than in January 1958 when corn prices reached the seasonal low for the year. With larger supplies of "free" corn on hand than a year ago and with prices approaching the lower support level, average prices received by farmers this spring and summer are expected to be comparatively stable. They probably will average a little lower during the next few months than in the same months of 1958 when they rose 26 cents per bushel from January to June. Prices of most of the high-protein feeds have declined in recent weeks from the high points reached in January. In the first half of February, however, the prices continued well above the low level of a year earlier. The index of prices paid by farmers for feed in January was 6 percent higher and prices received for feed grains 7 percent higher than in January 1958 when prices were at the lowest level for the 1957-58 season.

Price supports on 1959 crops of the four feed grains were announced by the Department of Agriculture on February 18 at levels generally below those of 1958. The minimum national average support price for corn is $1.12 per bushel, reflecting 90 percent of the average price during the calendar years 1956-58. The support of $1.12 per bushel, available to all corn producers is 6 cents above the support of $1.06 per bushel to noncomplying corn producers in 1958, but well below the support of $1.36 to farmers complying with their acreage allotments. National average price supports were announced for oats at 50 cents per bushel; barley, 77 cents per bushel and sorghum grain, $1.52 per 100 pounds. These support levels compare with 61 cents per bushel for 1958 oats, 93 cents per bushel for 1958 barley and $1.83 per 100 pounds for 1958 sorghum grain.

WHEAT

Cash wheat prices were generally at or near the high for the marketing year to date in early February. The average price received by farmers in mid-January of $1.71 was 2 cents below the price of mid-December and 3 cents below that of mid-November, the high for the season to date. It was also 19 cents below a year earlier which reflects an 18-cent lower support rate. On February 16, prices at terminal markets were unchanged to about 6 cents above mid-January.

On February 18, the price of No. 2 Soft Red Winter at St. Louis at $2.05 was 7 cents under the effective support, while the price of No. 1 Dark Northern Spring at Minneapolis at $2.09 was 9 cents below and that of No. 2 Hard Red Winter, ordinary protein, at Kansas City at $1.98 was 14 cents below its effective support. The price of No. 1 Soft White at Portland was one cent above its effective support. Hard red winter terminal prices continue to reflect large free supplies, while soft red winter prices are showing independent strength because of substantial exports out of relatively small supplies.

The net quantity put under price support out of the 1958 crop wheat reported up to January 31 totaled 537.5 million bushels, 31.1 million bushels having been redeemed out of a total of 568.6 million bushels put under support. A year earlier the quantity under support from the 1957-crop totaled 232.2 million bushels and in 1953, the previous high record was 553.6 million bushels. Redepemtions through January 31 in 1958 were about 12.6 million bushels. In addition to the 1958-crop wheat under support, farmers had under 1957-crop reseal 13.6 million bushels and 1956-crop extended reseal 2.8 million bushels.

Exports in July-December totaled about 205 million bushels compared with 194 million for the same period a year earlier. For the year ending June 30, exports are now estimated at 450 million bushels compared with 402 million bushels for the 1957-58 marketing year.

Supplies for 1958-59 estimated at 2,352 million bushels (July 1, 1958 carryover of 881 million, production of 1,462 million and imports of 9 million), domestic disappearance at about 615 million and exports at 450 million bushels would leave a carryover July 1, 1959 of about 1,285 million bushels.

FRUIT

Prices for Florida oranges at shipping points declined somewhat during January. In early February they were about the same as a year earlier. Auction prices were a little higher. Shipments of Florida oranges for fresh use in January and in early February were slightly larger than a year earlier, when heavy freezes had reduced the crop, but were almost a sixth below this period in 1957. Compared with a year earlier, there were almost half again as many Florida oranges to be marketed after early February, about the same amount that remained at this time in the 1956-57 season.

Processing of frozen concentrated orange juice, delayed because of late maturity of the current crop, increased somewhat by early February but had not yet reached the levels of a year earlier. Substantial increases in freezing of orange juice are looked for in the months ahead. While processing of oranges in Florida for the season to February 1 was down a little more than third compared with a year earlier, production of frozen orange juice during the whole season is expected to be about a fifth larger than last year. Shipments of Navel oranges from California have been substantially larger this season than last. Auction prices since the middle of January have been somewhat lower than earlier in the season, and considerably below the high prices obtained a year ago.

Tangerine shipments for fresh consumption declined seasonally during January but were almost three times as large as a year earlier when supplies were cut by freezes. Auction prices were somewhat lower in January than in December and were considerably lower than a year earlier. Prices continued to decline in February and were down sharply from a year earlier. Many more tangerines have been processed this season than last. Shipments of tangelos and Temple oranges from Florida also were larger than a year ago, and prices generally were lower.

Utilization of the somewhat larger grapefruit crop in Florida has not been as large as last year. Fresh shipments for the season to February 1 were off by more than a fifth and processing was down by almost a fifth. This reflects the later maturity of the Florida crop this year. Since the middle of January, however, shipments for fresh consumption have exceeded those of a year earlier. Auction prices in January were a little above those in January 1958 but in early February were down a little from a year ago. Utilization of Texas grapefruit has been a little ahead of last year, for both fresh and processed uses.

The winter crop of strawberries in Florida is more than half again as large as last year, but is less than half a normal crop. Movement was light during January and early February, due to frost damage. Acreage planted to early spring strawberries is estimated at 9 percent above last year's acreage but 16 percent below average. Marketing of early spring strawberries is expected to begin the middle of March.

Auction prices of winter pears on 9 markets averaged slightly lower since December than a year earlier. Quantities marketed domestically did not differ much from a year ago, but exports were smaller. There were smaller offerings of the Bosc variety and more of D'Anjou pears than a year ago. Cold storage holdings of winter pears at the end of January were moderately below those of a year earlier.

COMMERCIAL VEGETABLES

Fresh

Early February indications point to somewhat larger supplies of vegetables for fresh market sale this winter than last. Despite some damage from adverse weather this year, production of most tender vegetables is expected to be much larger than the weather-reduced output of last winter. Prospective production of tomatoes is almost three times as large as the light tonnage of a year ago, green peppers more than three times as large and snap beans and corn about four and one-half times as large. Output of escarole is expected to be up substantially. Some hardy vegetables such as cabbage and celery are likely to be in a little larger supply than last winter, but production of cauliflower and carrots is down. Smaller tonnages are also in prospect for artichokes and beets. Potential supplies of winter vegetables available for import from Mexico and Cuba are considerably larger than those

of a year earlier. However, actual imports will depend largely on the level of prices in this country. In any case, total supplies of domestic markets during the next 4-6 weeks are expected to continue materially larger and prices substantially lower than those of a year earlier.

Early reports indicate a probable output of early spring broccoli about 7 percent larger than last year, early spring cauliflower 26 percent larger and spring shallots 12 percent larger. Acreage of spring cabbage is down about 1 percent from a year earlier, onions up 13 percent, asparagus up 1 percent, and late spring watermelons down 10 percent.

The Department of Agriculture Acreage-Marketing Guide, released in November, suggested for 18 spring vegetables a 1959 planted acreage 3 percent less than in 1958, with the objective of a 1 percent smaller tonnage this spring than last.

Processed

Incomplete data on 1958 packs and January 1, 1959 stocks indicate record large supplies of canned vegetables available for distribution during the remainder of the current marketing season. Asparagus, lima beans and sweet corn are in smaller supply than a year earlier, but supplies of snap beans, green peas and sauerkraut are moderately larger, and tomatoes and most tomato products substantially larger. February 1 stocks of frozen vegetables were about the same as those of a year earlier. Retail prices of processed vegetables during the remainder of the current season probably will average a little higher than those of a year earlier. However, some items including tomatoes and tomato products may average lower.

The Acreage Marketing Guide, released in February recommends 4 percent less acreage of vegetables for processing than in 1958, with the objective of a 12 percent smaller production.

POTATOES AND SWEETPOTATOES

Estimated production of potatoes for winter harvest, at 4.3 million hundredweight, is down 14 percent from last winter. Indicated acreages also point to smaller crops for early and late spring harvests. Through February 7, about 15.2 million hundredweight of potatoes had been diverted to starch, flour and livestock feed under the Government diversion programs--about 5.4 million hundredweight more than a year earlier. But, because of large remaining stocks of fall crop potatoes, total supplies during the next 10-12 weeks are expected to be larger than a year earlier. Prices received by growers into late spring are expected to average substantially below those of a year earlier. Intentions reports indicate that growers plan to plant about 11 percent less acreage to potatoes for early summer harvest than last year. The Acreage-Marketing Guide also suggests 6 percent less acreage for late summer harvest and 12 percent less for fall.

Indications are that holdings of sweetpotatoes are a little larger than a year ago in States that furnish the bulk of market supplies during the last half of the season. Prices received by farmers in mid-January averaged $4.47 per hundredweight compared with a $5.18 in 1958. Prices are likely to continue below those of a year earlier. The guide recommends the same acreage as in 1958.

COTTON

Domestic mills consumed 3,487,000 bales of cotton from August 1 through December 31, 1958, about 5,000 bales more than the same period in 1957. But exports during this period totaled only 1.2 million bales, about half as much as during the comparable 5 months last year.

U. S. cotton exports during 1958-59 are not likely to exceed 3.5 million bales, 2.2 million less than last season. Earlier estimates of increased production and lower consumption in the foreign free world are being confirmed. With foreign cotton prices continuing weak, the brunt of the anticipated decline in world cotton trade will fall on the United States.

Domestic mill consumption for the entire 1958-59 season is estimated at $8\frac{1}{4}$ million bales. Together with exports, the prospective 1958-59 disappearance thus, about equals the 1958 crop of 11.5 million running bales and imports of 140,000. This indicates that the carryover on August 1, 1959 will remain at about the 1958 figure of 8.7 million.

Ginnings through January 15 totaled 11.3 million bales, 98.6 percent of the estimated crop. The grade index was 95.9 (Middling inch =100) compared with 92.0 last year and 96.1 two years ago. The average staple was 32.8 thirty-seconds inches against 32.7 in the previous two seasons.

Price support for the 1959 crop of upland cotton will be available at 80 percent of parity for producers who stay within their "regular" acreage allotment (choice A) and 65 percent of parity for producers who choose to increase their acreages up to 40 percent (choice B). Price support will be at 30.40 and 24.70 cents per pound, respectively. They are set at the minimum provided by Agricultural Act of 1958 and compare with 31.23 cents per pound for the 1958 crop.

Sales for export by CCC on a competitive-bid basis will be discontinued when the current marketing year ends next August 1. The payment-in-kind program will be continued. The initial rate of payment under this program will be 8 cents per pound for cotton shipped on or after August 1, 1959. This compares with the 6.5 cents per pound rate this season. The new rate will be subject to change without notice. Cotton will continue to be drawn from CCC stocks for payments-in-kind, barter, credit sales and for donations or any emergency operations.

The new payment-in-kind export program will concentrate export demand on commercial ("free market") stocks. The reduction in the U. S. export price will be much larger than indicated by the $1\frac{1}{2}$ cent increase in the payment rate, since the domestic price at which exporters will be able to buy cotton from commercial stocks is expected to be materially lower this year. On the basis of the support level announced for Choice B, the minimum CCC release price for Middling inch cotton, assuming average differentials in effect during the past 9 months, would approximate $31\frac{1}{4}$ cents. Prices in the 14 spot markets in January averaged 34.31 cents.

As of February 6, 6.4 million bales of 1958 crop cotton had been placed under loan. This was 57 percent of the estimated crop. The Commodity Credit Corporation will purchase all 1958 crop cotton (upland and extra-long staple) remaining under loan at maturity on July 31, 1959. Such cotton will be listed in the sales catalogue as soon thereafter as practicable and thereafter will be available for sale at not less than 10 percent above the level of support to Choice B producers.

The January price received by farmers for cotton was 28.23 cents, 2.05 cents below a month ago but .86 cents above January 1958. The price decline largely reflected marketing of the lower grades in the Southwest. The January price was equal to 74 percent of the parity price, calculated on the basis of the revised indices of prices paid and received by farmers.

WOOL

World demand for wool picked up a little after mid-January, and prices at the Australian auction centers had risen a little by mid-February. But Boston quotations for several domestic wools were a little lower than at mid-January. As a result, the ratios of prices abroad to prices at Boston were nearer the averages of recent years. For several months, the ratios had been somewhat higher than average.

Prices received by domestic growers for shorn wool declined a little during January. The average at mid-month, 35.7 cents per pound, grease basis, was 0.4 cents lower than a month earlier and the lowest of the 1958 domestic marketing season to date. In contrast with 1957 when the monthly averages of prices received ranged between a high of 56.1 cents and a low of 41.7 cents and averaged 53.7 cents for the season, the monthly averages for 1958 have ranged between 37.7 and 35.7 cents.

The rate of domestic mill use of apparel wool reached the bottom of a cyclical decline at the turn of 1958, and then rose rapidly during the first half of the year. It fluctuated somewhat from month to month over the last half of the year. October was the first month since 1956 that the rate was above a year earlier. For the final quarter of the year it averaged a little better than one-fifth above a year earlier. However, due to the low rate of the early part of the year, the average weekly rate for the year as a whole was 12 percent below 1957.

The 1958 average weekly rate of domestic mill use of carpet wool also dropped last year. The decline was 9 percent. The decline for carpet wool

bottomed out a little later than for apparel wool, but the recovery was much more rapid. The average weekly rate for the fourth quarter was 40 percent higher than a year earlier and the highest since 1950.

The lower mill use of apparel and carpet wool last year was reflected in smaller imports of dutiable and duty-free wool for consumption. Dutiable entries for the first 11 months were 22 percent below 1957. They were below a year earlier each month through October but were above during November. The January-November total of duty-free entries was 6 percent below 1957 with entries below a year earlier each month through September. But they were about double a year earlier during both October and November.

TOBACCO

Marketings of the 1958 tobacco crop, except Maryland, have been largely completed. Most of the 1958 crop of Maryland tobacco will be auctioned between May and August--the usual marketing period for this type.

The 1958 burley crop -- probably the smallest produced since 1943 -- averaged a record 66 cents per pound. The 1958 crop average was about 9 percent higher than 1957 and 4 percent higher than 1956--the previous record. As in the previous 2 seasons, only a very small percentage of the crop was placed under Government loan.

The 1958 Virginia fire-cured crop averaged about 36.9 cents per pound--5 percent lower than a year earlier. There was more lower quality tobacco than in 1957. Almost a fourth of the marketings were placed under Government loan--about double the proportion from the 1957 crop. Prices for the Kentucky-Tennessee fire-cured types 22 and 23 averaged 37.2 and 37.0 respectively, through mid-February. The price average for type 22 was 3 percent higher than a year earlier and for type 23, it was up about 6 percent. Quantities placed under Government loan were considerably smaller than last season.

The 1958 crops of Kentucky-Tennessee dark air-cured types 35 and 36 averaged 38.9 and 36.4 cents per pound at auctions. This represented about a 6 percent rise over last season for both types. Receipts under Government loan were relatively small in marked contrast with the situation for most years since 1945. The 1958 crop of Virginia sun-cured type 37 brought about 36.8 cents per pound--8 percent higher than for the 1957 crop.

The Department of Agriculture announced the 1958 acreage allotments for flue-cured tobacco in November and several other types in late January. For most farms growing flue-cured, burley, fire-cured, dark air-cured and sun-cured tobacco, the 1959 allotments are the same as in 1958. This is also true of allotments for most farms growing Ohio filler and Wisconsin binder, Connecticut Valley binder, and Maryland tobacco. A marketing quota and acreage allotment was also announced for Pennsylvania filler, a type which has not been under acreage allotments.

Producers of burley, Virginia sun-cured, Pennsylvania cigar filler, and Maryland tobacco will vote in separate referendums on February 24 on whether they favor marketing quotas on the 1959, 1960 and 1961 crops. Flue-cured growers approved quotas on the next 3 crops in a referendum last December 15. Quotas will be in effect on fire-cured and dark air-cured in 1959 and 1960 as

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OFFICIAL BUSINESS

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the result of approval by those producers in a referendum held a year ago. Quotas are in effect in 1959 on the Ohio filler-Wisconsin binder and the Connecticut Valley binder as the result of approval by those producers 2 years ago. At least two-thirds of the growers voting in any referendum must vote in favor if a marketing quota is to be in effect.

In late January, the U. S. Department of Agriculture announced a revision in the method of computing the parity price of Connecticut Valley cigar binder types 51-52. The new parity price for these types is lower than the one previously published and will result in a reduction of the support price from those in effect in the last few years. This lower support level will enable Connecticut Valley producers to compete for a share of the sizable and still expanding market for leaf used in processed binder sheet.

Calendar 1958 cigarette output at 470 billion was 6 percent above 1957 and a record high. Cigar output (including bonded manufacturing warehouses and those from Puerto Rico) at about 6.6 billion in 1958 was 5 percent above 1957 and the most since 1929. Calendar 1958 output of smoking tobacco at 76 million pounds was up nearly 8 percent from 1957. However, output of chewing tobacco and snuff at 69 and 35 million pounds, respectively, were both about 4 percent lower than in 1957.

The 1958 exports of unmanufactured tobacco totaled 482 million pounds valued at 354 million dollars. The quantity was 4 percent below 1957 and less than 1 percent below the 1948-57 average. Total dollar value of tobacco exports declined a little over 1 percent from the record high of 1957 but was 19 percent above the 1948-57 average.